

Organizational Structure

Executive Director

Kevin Mullally, Executive Director

The Executive Director is the Missouri Gaming Commission's chief operations officer. The Executive Director is responsible for the overall functions and the policy direction of the staff. The Executive Director also serves as the primary liaison between the Commissioners and the staff.

Enforcement

Steve Johnson, Deputy Director

Fiscal year 2001 was a busy and very productive year for the enforcement section. Steve Johnson was named head of enforcement on December 1, 2000. A great deal of enforcement's available resources was committed to the investigations into the suitability for licensure of a casino in LaGrange, Jefferson County, and Boonville. Considerable emphasis was also placed on the adoption of a new surveillance regulation, automated licensing, development of a training curriculum, improving the charitable games discipline process, the conversion to new Minimum Internal Control/Internal Controls, and investigation into illegal gaming devices in licensed bingo facilities. Enforcement was also heavily involved in the various investigations, processes and evaluations attendant to the conversion of the Station properties to Ameristar properties in St. Charles and Kansas City. The enforcement section continues to work closely with the state auditor, Internal Revenue Service and various other regulatory agencies to accomplish its mission. Finally, the enforcement section has adopted a new regulatory strategy that marries a strong and visible enforcement presence with the conveyance of clearly defined, and well documented, regulatory expectations to the gaming industry in Missouri. Following is a breakout of units within the enforcement section and areas of enforcement for which they are responsible:

Audit - The audit staff performs independent audits, reviews and investigations to identify and report noncompliance with laws, policies and procedures. They also recommend corrective actions to internal control procedures. The audit staff complies with the Standards for the Professional Practice of Internal Auditing and Government Audit Standards. All audits are conducted in accordance with the Standards for Professional Practices of Internal Auditing.

During FY 2001, the audit staff prepared 32 audit reports reflecting the results of audits of casino operations. A comprehensive audit manual was developed which details the duties and responsibilities of the audit staff. This manual provides guidance regarding adherence to professional standards, audit planning, the audit process, work paper creation and organization, work paper review and quality control. The manual became effective July, 1, 2001.

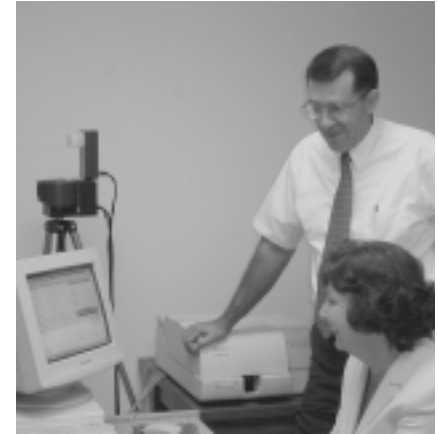
Licensing - The licensing staff coordinates and implements the licensing of excursion gambling boats (Class A), issuance of Class A liquor licenses, licensing of suppliers of gambling games, and administers License 2001, a new statewide licensing program containing 11,484 Level I and Level II occupational licensees. License 2001 has provided the Commission with an improved method to license and track all occupational licenses, as well as generate a monthly invoice for fees associated with applications, licenses issued, duplicate licenses and renewals for Level I and Level II Occupational Licenses. During 2001, over 3,600 occupational licenses were issued statewide, and 6,580 occupational licenses were renewed.

Training - The new classroom and training facility officially opened this year. The first year training curriculum addressed the pressing need for a formalized basic gaming school for Commission auditors and Highway Patrol Officers assigned to enforcement duties on the licensed gambling facilities. Emphasis is placed on standardization of enforcement and regulatory activities across the state. A notable benchmark for Commission auditors and enforcement personnel was reached with the inclusion of a Games Protection School, conducted by an international games consultant. A total of seven different courses were conducted with 128 students attending over 200 hours of classroom instruction in FY 2001. Other courses included, but were not limited to, credit card fraud and advanced table games protection.

Charitable Gaming - Charitable Gaming includes licensed bingo and associated games such as pull-tabs, merchandise, coin boards and other “free” no charge promotional events. The operation of these games is restricted to qualified, licensed, religious, charitable, fraternal, veteran, and service organizations. See more detailed information on charitable gaming on pages 29-30.

Pari-Mutuel Horse Racing - Pari-Mutuel Horse Racing was established in the State of Missouri with the enactment of Senate Bill 572 in 1986. This allowed for wagering on the outcome of horse races in which those who wager purchase tickets of various denominations on a horse or horses in one or more races. To this date no track has been established in the state. The Gaming Commission assumed the responsibility for governing pari-mutuel horse racing from the Missouri Horse Racing Commission in 1997.

Missouri State Highway Patrol - Direct enforcement responsibilities, on behalf of the Commission, are handled by members of the Highway Patrol who have been assigned to the Commission through a memorandum of understanding. Captain Robert Bloomberg commands this contin-



Mr. Michael Joseph, an internationally recognized games protection authority, explains the finer points of roulette to Commission employees attending one of his seminars.

gent, which has been divided into four components: Eastern District Enforcement, Western District Enforcement, Background Investigation and Administrative Services. Officers assigned to the enforcement districts enforce Missouri Statutes and Commission Regulations on licensed properties. The Background Investigation Unit is responsible for investigations of all casino license applications, renewal applications, bingo applications, pari-mutuel horse racing and related special and criminal investigations. The section is divided into three teams with officers assigned to offices in St. Louis, Kansas City and Jefferson City.

Charges listed below were filed pursuant to arrests made by Missouri Gaming Commission agents from July 1, 2000 through June 30, 2001:

TYPE OF CHARGE	NUMBER		TYPE OF CHARGE	NUMBER
Assault	28		Misc. Admin. Charges	4
Burglary	1		Misc. Federal Charges	6
Conservation	1		Motor Vehicle	176
Damaged Property	137		Obstruction of Judicial Process	882
Dangerous Drugs	48		Obstructing Police	7
Family Offense	7		Peace Disturbance	4
Flight Escape	16		Sex Offenses	1
Forgery	37		Stealing	107
Fraud	42		Stolen Property	2
Gambling	172		Weapons	3
Liquor Laws	7		Total Charges	*1,688

*These totals reflect the number of charges filed by agents of the Commission. The number of individuals arrested will be lower as some individuals may have multiple charges filed as a result of an individual incident. These totals also include arrests made attendant to outstanding warrants for criminal activity that did not occur on property of excursion gambling boats.

Administration

Debbie Ferguson, Deputy Director

The administration section of the Missouri Gaming Commission is responsible for managing all fiscal, personnel and recordkeeping resources of the agency and provides support services to 85 commission employees, and pursuant to a memorandum of understanding, to 100 Highway Patrol employees assigned to the Com-

mission. This section oversees budget development, revenue collection, accounts payable, accounts receivable, cost accounting, procurement, facilities management, support services, human resources, asset inventory and records management.

The following data shows the proceeds, including interest earned, from riverboat gaming and charitable bingo for education and veterans:

Education	Riverboat Gaming	Bingo
Fiscal year ending 6/30/95	\$ 56,616,282.04	\$ 6,253,703.96
Fiscal year ending 6/30/96	\$ 99,730,320.67	\$ 4,684,178.52
Fiscal year ending 6/30/97	\$118,419,389.02	\$ 4,615,579.50
Fiscal year ending 6/30/98	\$144,490,378.94	\$ 4,384,174.86
Fiscal year ending 6/30/99	\$161,287,348.65	\$ 4,412,395.16
Fiscal year ending 6/30/00	\$178,884,081.17	\$ 4,304,256.18
Fiscal year ending 6/30/01	<u>\$188,341,342.95</u>	<u>\$ 3,912,466.82</u>
TOTAL	\$947,769,143.44	\$ 32,566,755.00

Veterans	Bingo
Fiscal year ending 6/30/96	\$273,775.68
Fiscal year ending 6/30/97	<u>\$ 47,800.63</u>
TOTAL	\$321,576.31

TOTAL OF ALL PROCEEDS	\$980,657,474.75
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The Missouri Gaming Commission follows Section 313.835, RSMo, for operating fund transfers. It states: "All revenue received by the commission from license fees, penalties, administrative fees, reimbursements by any excursion gambling boat operators for services provided by the commission and admission fees authorized pursuant to the provisions of section 313.800 to 313.850 shall be deposited in the state treasury to the credit of the Gaming Commission Fund which is hereby created for the sole purpose of funding the administrative costs of the commission, subject to appropriation."

The statute also provides that the remaining net proceeds in the Gaming Commission Fund

for each fiscal year are distributed to one of three funds in amounts defined in the statute. As a result, the following amounts have been transferred since the inception of the Gaming Commission Fund.

Fiscal Year of Transfer	Veterans Commission Capital Improvement Trust Fund	Missouri National Guard Trust Fund	Missouri College Guarantee Fund	Early Childhood Development, Education and Care Fund	Compulsive Gamblers Fund	Totals
FY 1994/1995	\$8,408,536.13					\$8,408,536.13
FY 1996	\$23,487,182.59					\$23,487,182.59
FY 1997	\$30,388,830.54					\$30,388,830.54
FY 1998	\$35,905,493.46					\$35,905,493.46
FY 1999	\$3,000,000.00	\$3,000,000.00	\$4,500,000.00	\$30,237,763.51	\$0.00	\$40,737,763.51
FY 2000	\$3,122,801.00	\$3,000,000.00	\$4,500,000.00	\$34,217,803.75	\$0.00	\$44,840,604.75
FY 2001	\$2,877,199.00	\$3,000,000.00	\$4,500,000.00	\$30,691,290.20	\$46,612.00	\$41,115,101.20
	\$107,190,042.72	\$9,000,000.00	\$13,500,000.00	\$95,146,857.46	\$46,612.00	\$224,883,512.18

Legal and Legislative Affairs

Patricia Churchill, Deputy Director

The Commission has been vigilant in ensuring riverboats, bingo organizations, suppliers and individual licensees abide by all laws and rules of the Commission. Disciplinary actions have been taken against licensees when violations of Commission rules and other laws have been found. The legal section is responsible for drafting proposed disciplines against these licensees.

In the 2000/2001 fiscal year, 14 disciplines were imposed on Class A excursion gambling boat licensees. These included fines ranging from \$5,000 to \$250,000 for violations including underage patrons, audit violations, and illegal political contributions.

The Commission is pleased to report that no Level I licensees were disciplined. Level I licensees hold gaming licenses for key positions and occupational positions including managers, controllers and any other persons who conduct an occupation within a riverboat gaming operation that are directed by the Commission to file a Level I application.

The Commission did, however, take disciplinary action and impose sanctions against 84 Level II licensees for violations of Commission laws and regulations. Level II licensees hold gaming licenses for occupational positions such as dealers, slot machine technicians, cocktail servers, to name a few. Of the 84 disciplinary actions taken against Level II licensees, 33 resulted in license revocations, 6 resulted in license suspensions and 45 temporary Level II license holders were ultimately denied permanent licensure.

Discipline imposed in the bingo section has ranged from written reprimands, to license suspensions, and in a few rare cases, license revocation. In the past year, seven bingo organization licenses were suspended after the discovery of illegal gambling devices in bingo halls. One bingo organization was denied its license renewal.

Fiscal year 2001 also saw the completion of an investigation into Station Casinos' activities in Missouri, including alleged unlawful contacts with the initial chairman of the Commission. The Commission entered into a settlement agreement with Station resolving all pending disciplinary complaints against its Missouri operations. As a part of the settlement, Station agreed to pay a \$1 million penalty and would sell its assets in Missouri, which cost more than \$600 million to build, for \$475 million to Ameristar Casinos.

Another responsibility of the legal section is to ensure the Commission's compliance with the Sunshine Law. As part of that responsibility, the legal section reviews and responds to document requests under the Sunshine Law. During FY 2001, the City of Kimmswick, Helujon, LTD, and Luciana Ross filed suit in the Circuit Court of Cole County against the Missouri Gaming Commission. They sought access to a Commission investigative record dealing with the Commission's investigation of Isle of Capri – Jefferson County, Inc. The suit was resolved in the Commission's favor on July 10, 2001, when the court held the Commission "by virtue of Section 313.847.1 RSMo, has been given the discretion to close investigatory records in its possession." The court further held that the Commission had a compelling justification and did not abuse its discretion when it decided that the requested investigative records were closed. The Commission receives many open records requests and we are committed to releasing all records except those protected from disclosure by law, which are considered closed records.



Corporate Securities and Finance

Jim Oberkirsch, Chief Financial Analyst

The primary functions of the corporate securities and finance section are financial reporting, gaming market analysis, financial suitability analysis of reported transactions and tax collection.

The Commission provides a monthly public market statistics report on the Commission's website.¹ The report provides data on adjusted gross receipts (gaming revenue), patron volume, admission counts and the amounts of the gaming tax and admission fees collected.

The corporate securities and finance section is responsible for the analysis of the gaming markets in Missouri for the purpose of providing the senior staff with information they need to make decisions regarding expansion, rule changes and regulatory resolutions. Regarding expansion, the goal

¹ www.mgc.state.mo.us/finance.htm

is to determine the timing, number and placement of additional casinos. The Commission's charge is to issue licenses to applicants that best serve the interests of the citizens of Missouri. In order to fulfill this responsibility, the Commission evaluates each market to determine whether new gaming capacity can be added without unduly impacting previously licensed facilities. The Commission has been hesitant to license a facility that would create an oversaturated market because of the negative impact it would have on local government budgets that are formulated based on expected gaming revenues. In addition, oversaturated markets in high gaming tax states, like Missouri, have a strong tendency to result in undesirable business practices, lax regulatory compliance and cost cutting measures that negatively affect the overall quality of the gaming facilities. Furthermore, it would result in displacement and unemployment among casino workers, thus harming Missouri families. Therefore, the Commission strives to avoid oversaturation of the market. However, should a facility become substandard, fall into disrepair or otherwise become non-competitive, the Commission would be forced to consider new projects of better quality that meet the high standards it set for licensees.

The section also examines licensee company business transactions, including the issuance of debt or equity, acquisitions, mergers and others. This analysis is done to determine whether the financial suitability of the gaming entity will be impaired due to the transaction and whether any regulatory action is necessary.

Another function of the corporate securities and finance section is the collection of the gaming tax and admission fees assessed upon casino licensees by statute.

MISSOURI GAMING COMMISSION ORGANIZATIONAL CHART

